Beyond discounting in CE

Profitable small appliances

Licensing's next winner?

Chain Store Age

GENERAL MERCHANDISE TRENDS

November 1985

"Any retail management that looks at what we've done and decides to emulate it... has got to ask if they are willing to accept the takeover exposure-- I doubt many people will want to do that."

Philip Hawley Chairman/CEO Carter Hawley Hale

0067100 OCT86GM
JEANNE LONG
CONGRESSIONAL INFO SVC I 1BH
4520 EAST-WEST HWY
BETHESDA MD 20814

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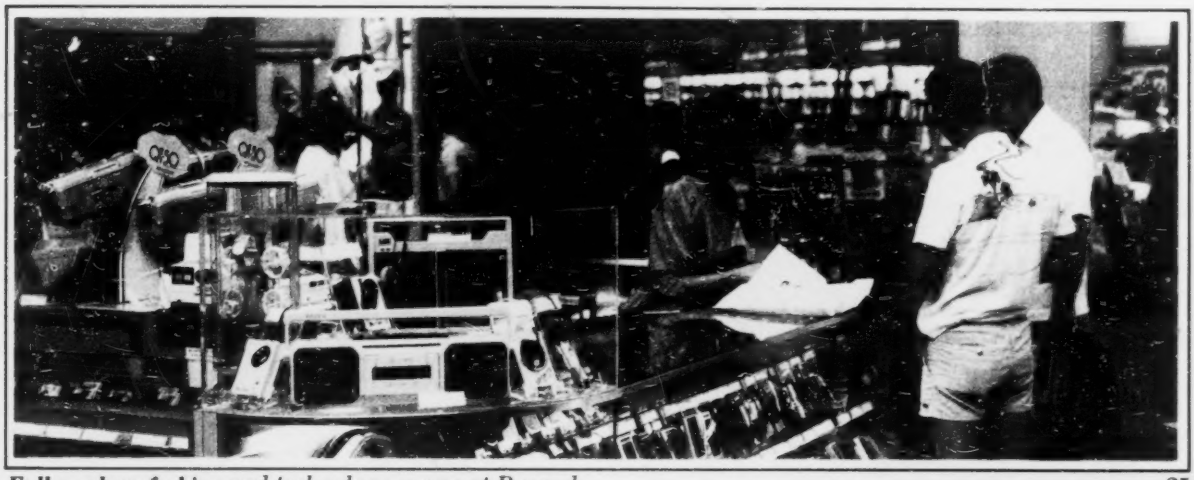

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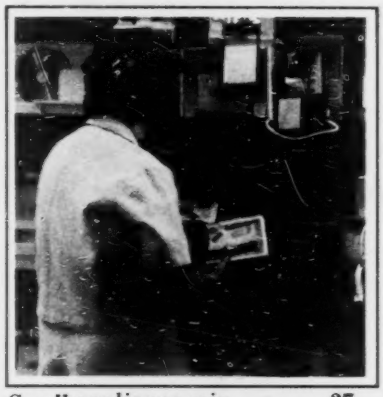

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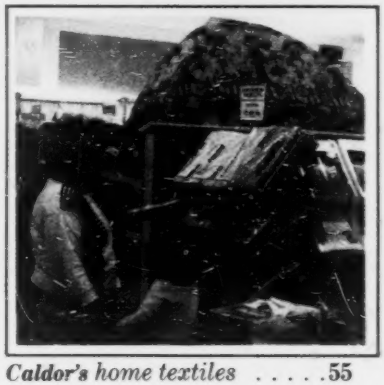

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Transitional period for licensing

For character licensing, back-to-school represents a transitional period. Promising new licenses show their first real sales muscle during this period, swiping volume from some of last year's holdover licenses which begin to lose their sales drive.

The transition taking place in the business shows up in this month's *Chain Store Age* poll of the fastest growing licenses. Although a few established properties, notably Transformers and Masters, remain strong, new licenses are starting to reshape the market.

Toy buyers gave at least one mention to 15 different licenses. New properties showing particular strength are Voltron, Mask and She-Ra. Wuzzles also garnered several mentions.

Those successes also explain why the list of most rapidly fading licenses is also large this month. Products like Care Bears, Rose Petal and even Cabbage Patch are mentioned by a few buyers as experiencing sales declines.

The *CSA* poll is sent to toy buyers at the nation's largest 100 general merchandise stores. This survey tracks performance for October. Numbers in parentheses indicate position on the previous poll.

Showing most gain:

1. Transformers (1)
2. Masters of Universe (2)
3. Voltron
4. Cabbage Patch (3)
5. Mask
   G.I. Joe

Showing most falloff:

1. Star Wars/Jedi (2)
2. Strawberry Shortcake (4)
3. A Team (1)
4. Knight Rider (4)
5. Get Along Gang (3)

Weekend paper training: run in the Sunday Tulsa World.

Over 75% of the Tulsa MSA reads the Sunday Tulsa World. (That's over 380,000 of Tulsa's adults.) And you can reach those readers through a number of special sections and features.

Like OK Magazine and TV World. These locally edited supplements deliver your ad to 84% of the Sunday World readers with excellent heatset reproduction on quality offset stock.

Don't quit your paper training on weekends. Running in the Sunday Tulsa World is an excellent exercise for building stronger retail sales. Source: Belden CMS

TULSA WORLD
The Tulsa Tribune

Newspaper Printing Corporation. Agent for the Tulsa World and The Tulsa Tribune. Two independent and separately owned newspapers represented nationally by Branham.

Smaller labs, bigger photo sales

The introduction of small, easy-to-use processing labs earlier this year is further fueling growth of the already exploding on-site photo developing business.

Fotomat is the latest major player to get into the game. The St. Petersburg, Fla.-based company is testing three one-hour "Express Labs" and has plans to open at least two more very quickly. Two of the units are in Northern New Jersey and the third is located in Fotomat's corporate headquarters.

The start of the new program comes at a time when traditional photo kiosks of the type Fotomat runs are losing market share. Regular Fotomat kiosks offer 4-in. by 6-in. color prints in studio or glossy finish, while the Express Labs produce 3.5-in. by 5-in. studio finish prints.

"Research shows that about half of the people like the convenience of one-hour processing while the other half prefer larger prints and the versatility they get from Fotomat's centralized processing labs," says William Kirkman, vice president of retail operations and marketing at Fotomat. At present there are about 7,000 one-hour labs in this country, but many of them are operated by independents.

Fotomat has been able to convert some of its kiosks to Express Labs by using the Konica Nice Print system, a waterless on-site processor which requires just several hundred feet of space.

Meanwhile, Fox-Stanley Photo, which operates about 900 retail photo outlets, is continuing its rapid move into one-hour photo outlets. In the first quarter Fox opened 20 one-hour locations and now boasts more than 170. Two years ago one-hour labs accounts for just 4.5% of Fox retail volume. Now one-hour labs do nearly 60% of retail sales.

The move toward one-hour labs means that Fox is also deemphasizing its traditional kiosk-based photofinishing outlets. Sales for these types of outlets have continued to decline.

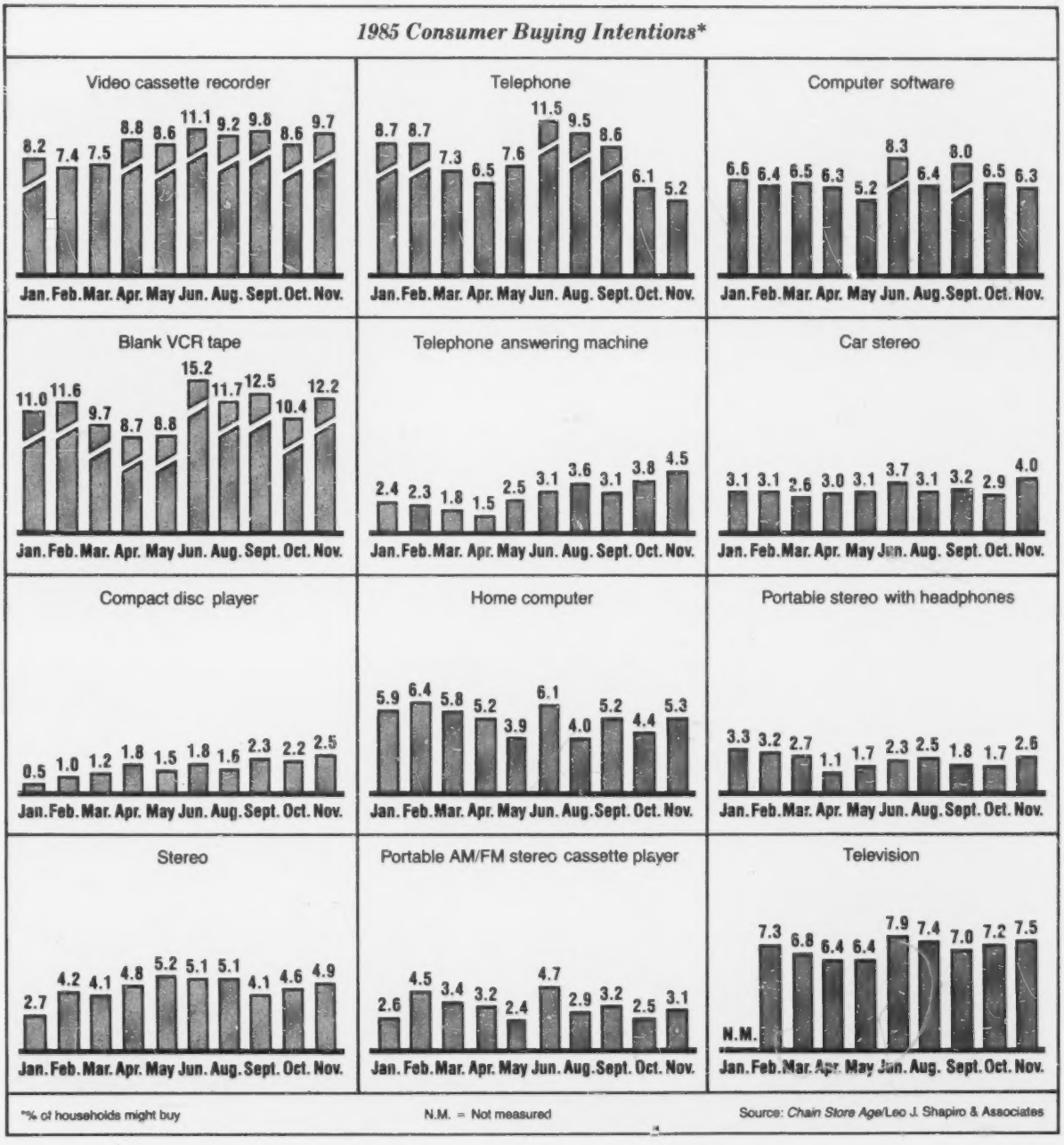
Interest in phones declines again

For the fourth consecutive month, the number of households that say they will buy a telephone has dropped. In the November MarkeTrends survey, 5.2% of those polled report that they intend to buy a phone in the next year.

The most recent reading is the smallest number since the December 1982 poll where 2.5% said they expected to purchase a telephone. Of the 12 consumer electronics categories tracked by MarkeTrends, phones now rank sixth in consumer interest. As recently as June, telephones ranked second.

However, telephone answering machines are picking up some of the slack. The Novemeber MarkeTrends study shows 4.5% of households polled saying they expect to buy a telephone answerer within the next year. This marks the second month of increasing intent-to-buy and the highest reading of consumer interest in answering machines in five years of MarkeTrends polling.

Also turning in record highs are car stereos with 4% of households reporting they expect to buy in the next year, and compact disc players with 2.5% saying they intend to buy. □


1985 Consumer Buying Intentions*
Video cassette recorder
8.2 7.4 7.5 8.8 8.6 11.1 9.2 9.6 8.6 9.7
Telephone
8.7 8.7 7.3 6.5 7.6 11.5 9.5 8.6 6.1 5.2
Computer software
6.6 6.4 6.5 6.3 5.2 8.3 6.4 8.0 6.5 6.3
Blank VCR tape
11.0 11.6 9.7 8.7 8.8 15.2 11.7 12.5 10.4 12.2
Telephone answering machine
2.4 2.3 1.8 1.5 2.5 3.1 3.6 3.1 3.8 4.5
Car stereo
3.1 3.1 2.6 3.0 3.1 3.7 3.1 3.2 2.9 4.0
Compact disc player
0.5 1.0 1.2 1.8 1.5 1.8 1.6 2.3 2.2 2.5
Home computer
5.9 6.4 5.8 5.2 3.9 6.1 4.0 5.2 4.4 5.3
Portable stereo with headphones
3.3 3.2 2.7 1.1 1.7 2.3 2.5 1.8 1.7 2.6
Stereo
2.7 4.2 4.1 4.8 5.2 5.1 5.1 4.1 4.6 4.9
Portable AM/FM stereo cassette player
2.6 4.5 3.4 3.2 2.4 4.7 2.9 3.2 2.5 3.1
Television
N.M. 7.3 6.8 6.4 6.4 7.9 7.4 7.0 7.2 7.5
Jan. Feb. Mar. Apr. May Jun. Aug. Sept. Oct. Nov.
*% of households might buy
N.M. = Not measured
Source: Chain Store Age/Leo J. Shapiro & Associates

Brighter picture for console TVs

*A CSA **poll shows** 32.1% of households who intend to buy a TV want a console.*

Are console televisions poised for a comeback? Preliminary MarkeTrends research points in that direction. In the November poll 32.1% of those households which expect to buy a television in the next year report that they intend to buy a console. This compares to the 24.3% who said they wanted a console set in the February 1985 survey.

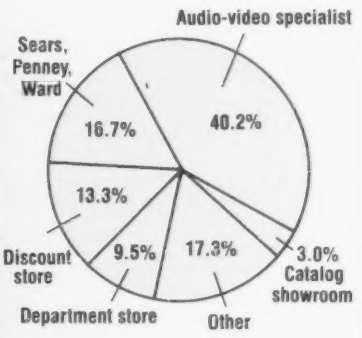
Though the preliminary nature of the data precludes an absolute conclusion, the trend in the consumer poll throughout 1985 has been toward greater consumer interest in console sets.

On the average, consumers say they will pay $510 for their new set, down marginally from the February reading of $537. RCA (23.4%), Zenith (21.3%) and Sony (18.1%) also remain the top three brands consumers say they will be buying.

Audio-video specialists and appliance stores take the largest retail market share for television with 40.2% of sales, according to the poll. Sears, Penney and Montgomery Ward take another 16.7%, followed by discounters (13.3%), full line department stores (9.5%) and catalog showrooms (3%).

Reflecting the promotional nature of the marketplace, 76.3% of the households who have bought a television report that they paid a sale price. □

Where did you buy your last television?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Home computers: IBM gains share

The market for low-priced home computers is drying up. In the November MarkeTrends poll the average price consumers expect to pay for a computer has risen to $1,511. For comparison, in August 1984 consumers anticipated paying an average of $1,152.

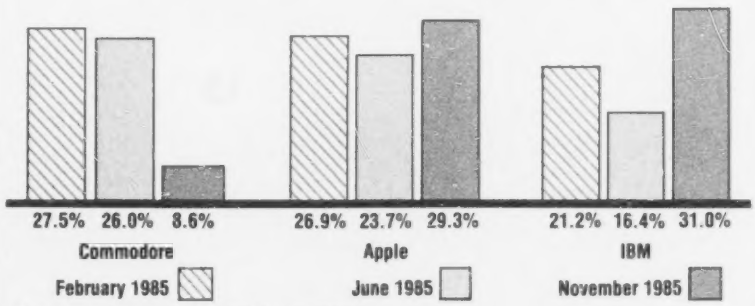
The potential for the low end of the market is shrinking. In the latest survey 26% of respondents say they want a computer priced under $500 compared to the 30% who anticipated spending less than $500 in the study 15 months ago.

Commodore stands to become one of the biggest losers if consumers follow through on their stated buying plans. In the November poll only 8.6% of those who expect to buy a computer say they will buy a Commodore. This represents a 67% drop for Commodore.

As the market turns away from low-priced home computers and toward higher priced personal computers, the big winners in the MarkeTrends survey are IBM and Apple. In the November study 31% say they expect to purchase an IBM computer, while 29.3% report they intend to buy an Apple.

When asked where they would buy a computer, consumers choose specialty stores by an overwhelming majority. Of those who expect to purchase a computer in the next year, 43.5% say they would be most likely to shop one of the computer specialists. □

What brand home computer will you buy?



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Blank video tapes are not all the same

How much difference is there among brands of blank videotape? A great deal, say consumers polled by MarkeTrends. More than 1 in 3 (33.8%) in this month's poll report differences among tapes. Only 13.8% say that all tapes are essentially the same.

Better picture and sound quality are the variations noted by 71% of those answering. Better quality in general is mentioned by 31%.

But the perceived differences among videotape brands may disappear as consumers gain more experience. Among those who already own a VCR, over 1 in 5 (21.9%) say there is no difference between tapes. Only 1 in 20 (5.4%) of consumers who have yet to buy a video cassette recorder thinks all tapes are of equal quality.

What is the difference between a good brand video tape and a lesser brand?

Better clarity/sound and picture	70.9%
Better quality	30.9%
Good brand can be taped over	12.7%
Generic brands don't last	7.3%
Brand may have effect on equipment	3.6%
Low noise	1.8%

Totals more than 100% due to multiple responses
Source: *Chain Store Age*/Leo J. Shapiro & Associates

The fastest-growing brand of blank videotape, according to those in the most recent poll, is simply "name brand." When asked what brand of tape they want, 14.2% in the November MarkeTrends survey respond "name brand" without specifying a particular tape manufacturer.

Otherwise, consumer brand preferences remain unchanged from the June survey. TDK tops the list, chosen by 13.4% in the study, followed by Sony (12.6%), Scotch (11.8%), Maxell (11%), Kodak (7.9%) and Memorex (7.1%).

When asked why they would choose a particular retail outlet when buying blank videotape, consumers say that price and discount are the most important criteria in making their decision. Over 3 in 5 consumers say price decides where they shop for blank tape. □

In the niche of time

"You can't do that!" How many times have we all heard that phrase? In business, as well as in our personal lives, we have all encountered rules of the game which we are told just cannot be violated.

Electronics retailing is no different. We are told that superstores are the only way to profit in this business, that independent dealers and general merchandisers are the wave of the past.

We are also told that fierce price promotion is, regrettably, a fact of life which somehow we all must learn to live with. Everyone complains about it, but nearly everyone participates in continuing the practice.

Certain product categories, we are told, are no longer profitable. Take your choice: home computers, software, video games, or even video cassette recorders. It is not hard to find at least one pundit who will tell you that you just cannot do that.

But you can. Apparently, no one ever told Miami-based Beyond president Sender Rosen that an independent retailer selling at manufacturer's suggested retail price or above, and operating tiny 180-sq.-ft. stores could make a profit in electronics retailing.

If anyone ever did tell Rosen, it is a good thing he did not listen. This year he will average sales approaching $2,000 per square foot with margins better than 40%. *Chain Store Age* profiles Rosen's Beyond chain in this month's issue.

You cannot make a business out of selling discontinued Texas Instruments, Timex and Atari computers, can you? Everyone knows that retailers are having enough trouble selling even more up-to-date systems, no less yesterday's has-beens.

Take a look at this issue's story on what Philadelphia-based Clover is doing with the supposedly out-dated machines, and you will see still another of life's cliches fall.

Proliferation of electronics superstores means that general merchandisers can no longer compete effectively. The only problem with this one is that no one told Sears. Next month *CSA* will profile just how the nation's largest retailer of electronics does it. And does it profitably.

The point of all this is not simply, "Rules are made to be broken." There are still quite a few retailing rules which abandoning would mean courting disaster. Rather, the common thread which runs through Beyond and Clover and even Sears is niche retailing.

Each has chosen a specific customer base and merchandises specifically to it. Beyond's customers are primarily women, so it assorts to fashion and style. Clover is cashing in on that segment of the computer market left behind in the scramble to higher price points. Sears, of course, is mining the great middle.

Niche retailing has been common in other areas of retailing for some time now. But in the sales surge of the last five years, few electronics retailers have perceived a need to turn to it. After all, being all things to all people was working pretty well.

Next year will be different. The free ride will be over as more and more general merchandisers and independents find themselves going head-to-head with superstores.

For most, trying to compete on assortment will be impossible. Competing on price will be suicidal. The only logical alternative will be to choose a specific market niche and assort heavily to it.

—Rick Gallagher

APPLIANCE MIX: NARROW AND DEEP EQUALS

PROFITS

Retailers are seeking ways to wring bigger profits out of small appliances. Travel, cordless rechargeables, and Eurostyled products are boosting margins.

No longer content to just put small appliances out at keen prices as a traffic lure, retailers are seeking ways to wring greater profits out of the category.

And although the thrust of the department will always be "quick turnover," says S. E. Nichols traffic appliance buyer Bernie Weiler, retailers are discovering they can get greedy with margins.

They are doing so by buying narrow and deep, creating travel sections promoting more profitable travel appliances, adding Eurostyled goods which typically yield margins twice as high as standard fare, buying more sku's on a direct basis and toying with the new rechargeable, cordless products.

Small appliances buyers are also getting shrewder, demanding more advertising money, strikingly unique goods and improved pricing structures. As it stands now, most retailers are able to snare enough advertising money from vendors to foot the cost of advertising small appliances.

These moves were triggered by the drastic erosion of margins in the already bare profit category.

"Right now," concedes Tom Kieckhafer, vp sales and merchandising for West Bend, "there is a terrible slide in profits caused by price erosions. The competitiveness is driving prices down."

Rampant price reductions have altered the complexion of the business as department stores, discounters and catalog showrooms battle for limited traffic appliance dollars. And now, one buyer adds, traditional outlets are facing stepped up competition from wholesale clubs. "They sell products," he laments, "only 3% above their cost—try matching that."

***Price reductions have** heated up competition among all levels of retailers.*

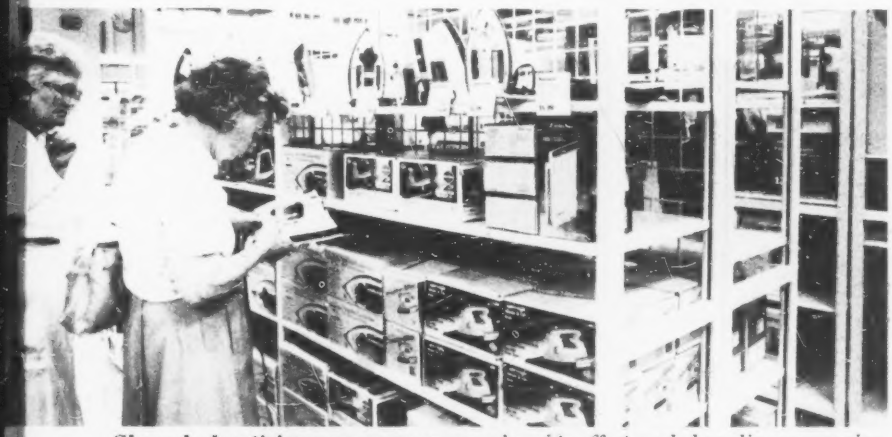
Punctured profits: The situation has hurt everyone. Electrics (including small appliances) contributed 35% of total housewares volume in 1983 vs. only 33% for 1984, according to the National Housewares Manufacturers Association. In the same year, sales per square foot dropped from $128 to $120 for department stores and $115 to $112 for discounters. Margins decreased from 22.5% at department stores to 20.9% and from 18% in discounters to a paltry 16%. Even more troublesome, inventory turns were flat in 1984, so retailers could not offset dwindling profits with elevated volume.

This year it became clear the industry needed to pull itself out of the doldrums. Instead of debuting "goofy, unneeded items," says one supplier, vendors got savvy. The new launches are items like "smart irons," combination blenders/can openers and downsized food processors. Color is becoming important and companies such as Hamilton Beach are adding fashionable grid patterns to kitchen appliances.

Retailers are reacting by tossing out fringe items and moving back to more profitable basics that sell day in, day out. Gone from the shelves are exotic waffle makers, fondue pots and hotdog toasters. In their place are toasters, can openers, coffeemakers (the single fastest growing kitchen appliance) and irons. Even the once profitable food processor category has been trimmed now that retailers can no longer enjoy the plump margins the classification used to bring in.

Discounters say they are insisting on heavier co-op dollars and some department stores now attempt to take only items yielding gross margins of 30% and up.

"Competition is keen," says Joe Palmisano, sr. buyer for Caldor,



***Shrewd advertising measures** were employed to offset eroded appliance margins.*

Appliance margins suffered in 1984				
	1981	1982	1983	1984
Department stores	23.1%	22.1%	22.5%	20.9%
Discount stores	20.0	17.4	18.0	16.0

Source: *Chain Store Age* research

"and in times of impoverished margins you need to buy narrow and deep."

According to Palmisano, Caldor is cutting back on certain goods and going after the better products its customers want. That may mean Caldor is not everything to everyone, but it does insure more comfortable returns, suggests Palmisano.

The space freed up by the buying squeeze gives retailers the options of adding under-the-cabinet items, new chic Eurostyles, travel goods and rechargeables.

The move to group u-t-c products together originated in department stores and has now been cultivated by the best discounters like Caldor and K mart. Department stores, seeing their ploy copied, are now turning to upscale u-t-c offerings such as Toshiba's $210 coffeemaker.

Although u-t-c items have stirred up sales of kitchen appliances, the trend is not a panacea. Most experts predict u-t-c sales will settle in at a 10% to 15% share of each respective market.

The European brigade: Department store sources at Lazarus and Robinson's predict the invasion of the Europeans may be the next wave in small appliances. The southern California market where The Broadway, Bullock's, Robinson's and May Co. all butt heads, has been especially competitive.

The May Co. has traded up to unique suppliers who can bring in impressive profits. For Robinson's, the ploy to draw shoppers has been to add the trendy Vivalp line—a line which offers double the gross of typical appliances. Still others are turning to Rowenta (now distributed by Schawbel) and featuring a very European flair.

Schawbel is also bringing out a line of European-inspired appliances for mass outlets called Europa Design. Although the company claims there is a niche for these items on discount shelves, some competitors fear the items could cheapen the image of Eurostyle (see related story).

Braun continues to get its products into broader distribution although some retailers are not convinced they need it. Says one discounter, "I could have Braun in a minute—their trucks are circling my warehouse daily."

Cordless craze: While some discounters may be shy to stock the upscale designs, most are venturing into cordless. "I say cordless will be the next phase," predicts K mart's Dennis Dorn.

Black & Decker, Sunbeam, Hamilton Beach, Norelco and Deni head the list of major sources vyng for what most predict will be a $500 million cordless business. According to Ken Homa, vp marketing household products at Black & Decker, the cordless business is just what the industry needed.

"For years suppliers copied one another and did not debut anything new. Cordless is something customers want," he adds.

But the same risk—product proliferation—is already threatening the cordless category and even Homa admits retailers will not be likely to duplicate inventory on cordless goods.

The bottom line? Retailers say the winners will be those who got into it first and who manufacture products which really need to be cordless. One new wrinkle in cordless getting attention is Schawbel's announcement it will license its ThermaCELL butane technology to other cordless areas. □

Sales in travel category take off

Department stores and discounters are creating travel sections, sparked by the success of travel appliances.

Travel irons, portable steamers, voltage converters and compact personal care items are providing a passport to "explosive" sales for some retailers and "booming" successes for manufacturers.

Many retailers and all manufacturers agree that the product category performs best in a section of its own. There, impulse buying is encouraged and consumers shopping for a single item can be exposed to complete product lines that could otherwise have been overlooked if scattered throughout the housewares department.

A few discount store chains are experimenting with 4-ft. sections or endcaps, but it is department stores that have made the early commitment. The best example of a department store travel section is at Dayton Hudson, where an entire travel department was created in mid-September to provide one-stop shopping for its customers.

Diane Nyquist, senior luggage buyer, says Dayton Hudson enjoyed

November to begin strong Yule season

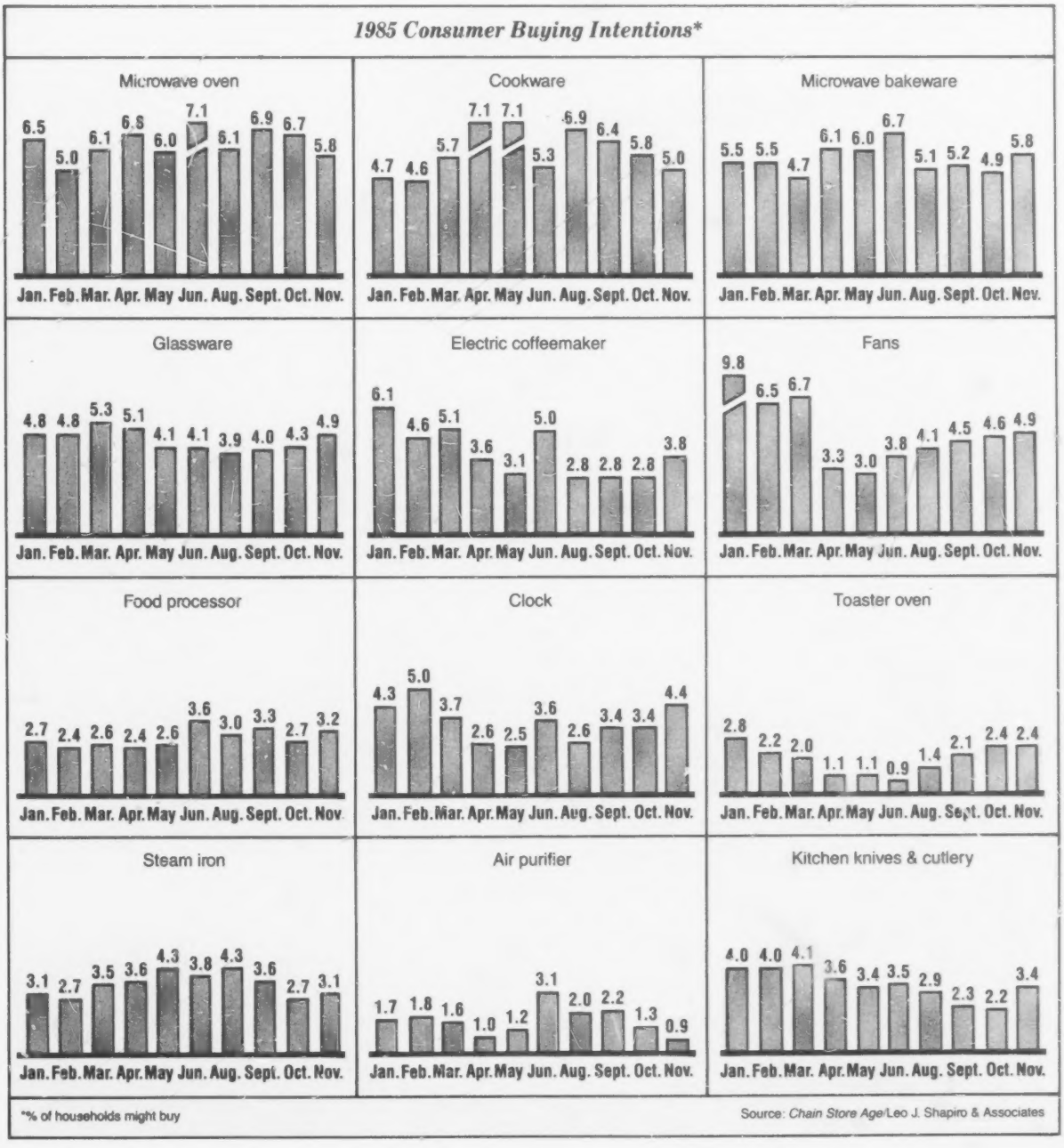
November should kick off a strong Yule for the housewares category, according to MarkeTrends data. Consumer buying intentions are up in 8 of the 12 categories tracked by *Chain Store Age*/Leo J. Shapiro & Associates.

One note of caution, however. Sales remain sluggish in two key housewares groups: cookware and microwaves. Microwave ovens—the best Christmas item in 1984—are not as high on shoppers' lists this year as retailers would like. Just under 6% of the households polled have plans to buy a microwave within the next 12 months.

The most promising categories, according to the latest poll, are electric coffeemakers and cutlery. Almost 4% of those surveyed have plans to buy an electric coffeemaker. And, it is evident the holidays are near with 3.4% of those polled planning a cutlery purchase.

Retailers should enjoy cheery sales of microwave bakeware, glassware, fans, food processors and clocks.

The upturn in purchasing intentions for appliances is especially promising news, retailers say, because the biggest chunk of that business is done in the fourth quarter. □


1985 Consumer Buying Intentions*
Microwave oven
6.5 5.0 6.1 6.8 6.0 7.1 5.1 6.9 6.7 5.8
Cookware
4.7 4.6 5.7 7.1 7.1 5.3 6.9 6.4 5.8 5.0
Microwave bakeware
5.5 5.5 4.7 6.1 6.0 6.7 5.1 5.2 4.9 5.8
Glassware
4.8 4.8 5.3 5.1 4.1 4.1 3.9 4.0 4.3 4.9
Electric coffeemaker
6.1 4.6 5.1 3.6 3.1 5.0 2.8 2.8 2.8 3.8
Fans
9.8 6.5 6.7 3.3 3.0 3.8 4.1 4.5 4.6 4.9
Food processor
2.7 2.4 2.6 2.4 2.6 3.6 3.0 3.3 2.7 3.2
Clock
4.3 5.0 3.7 2.6 2.5 3.6 2.6 3.4 3.4 4.4
Toaster oven
2.8 2.2 2.0 1.1 1.1 0.9 1.4 2.1 2.4 2.4
Steam iron
3.1 2.7 3.5 3.6 4.3 3.8 4.3 3.6 2.7 3.1
Air purifier
1.7 1.8 1.6 1.0 1.2 3.1 2.0 2.2 1.3 0.9
Kitchen knives & cutlery
4.0 4.0 4.1 3.6 3.4 3.5 2.9 2.3 2.2 3.4
Jan. Feb. Mar. Apr. May Jun. Aug. Sept. Oct. Nov.
*% of households might buy
Source: Chain Store Age/Leo J. Shapiro & Associates

Big 3 are losing toaster oven sales

***Discounters and department stores** are gaining on the Big 3 in toaster oven sales.*

Shoppers often think of Sears, Montgomery Ward or J. C. Penney when in the market for a toaster oven. But, when it comes to actually plunking their money down for a toaster oven, many shift their purchases to either a discounter or department store.

Specifically, when *Chain Store Age*/Leo J. Shapiro & Associates asked members of households where they would buy a toaster oven, 29.4% named a discounter, 23.5% the Big 3 and only 13.7% a department store. But, when asked where their last toaster oven was actually purchased, shoppers named discounters 33.6% of the time, department stores 18.2% and the Big 3 a comparatively low 19.1%.

How much would you expect to pay for a toaster oven?

$35 and under	38.5%
$36 to $50	35.5%
$51 to $199	23.0%
Other	2.0%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

These share numbers could reflect the fact that consumers are very brand-conscious when in the market for a toaster oven and Sears, Ward and Penney, for the most part, have stayed with house labels in the category. Over 50% of the *CSA* sample prowl the stores for the General Electric brand toaster oven. Another 17.5% look for a "brand name," 5% seek Sunbeam and another 5% want Toastmaster.

Despite competition from microwave, unique models such as the Vivalp wide-mouthed toaster or the new Toastie from Sanyo are keeping the category "exciting." Intentions-to-buy for November stayed even with the 2.4% of households indicating plans to buy within the next 12 months in the October sample. That level, in fact, is the highest recorded for the category since last January. □

Shoppers are 'fans' of discount stores

Discounters continue to dominate the fan market with almost 30% of the households polled by *Chain Store Age*/Leo J. Shapiro & Associates indicating they would purchase a fan at a discount outlet.

Moreover, 32% of the households polled last bought a fan at a discount store. A hefty 12.8% of that business went to K mart, according to the research.

K mart excels in this category because shoppers primarily shop price and selection. Sales are crucial; almost 80% of the CSA poll purchased a fan on a reduced price.

***Of those polled who preferred** a style of fan, 16.2% chose table fans.*

Shoppers are puzzled when it comes to brands of fans. While 29.7% indicate a desire for General Electric, 27% say they want a name brand but are not specific as to which one.

The General Electric name, however, has grown in importance in the last four months. In June, only 19.9% indicated they desired G.E. This month, General Electric knocked off "store brand" as the most sought after fan.

Consumer style preference is evenly divided between ceiling and table fans. □

At which store was your last fan bought?

Discount store	31.7%
The Big 3	11.9%
Department store	11.5%
Drug store	6.0%
Catalog showroom	4.5%
Hardware store	9.6%
Other	24.7%

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Microwave bakeware sales hot

Microwave bakeware is an example of those rare successful marketing campaigns for products consumers admit they do not even need.

Most consumers realize they do not need specific cookware designed for a microwave. Over 52% of the households queried by *Chain Store Age* said they knew they could use their existing cookware for a microwave oven. Yet, microwave bakeware sales are soaring and the category should hit $500 million in retail sales by year-end.

What is even more surprising is that only 24% of the homes surveyed indicated the cookware is a "great advantage" over standard cookware and 46% responded it was only "some advantage."

What type microwave cookware would you buy?

	Total answering	Own a microwave: Yes	Own a microwave: No
Dishes	9.3%	8.0%	10.5%
Casserole dish	7.5	10.0	5.3
Bakeware/pie plate	6.5	6.0	7.0
Pots and Pans/cooking utensils	6.5	8.0	5.3
Corning Ware	2.8	4.0	1.8
Turntable	2.8	4.0	1.8
Platter	2.8	2.0	3.5
Large pan for roast	1.9	4.0	—
Bowls	1.9	2.0	1.8
Separated plates	1.9	2.0	1.8
Bacon rack	1.9	2.0	1.8
Other	54.2	48.0	59.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Confusing signals? Even retailers admit the category is an enigma, but most plan to increase footage.

Last June, discount stores were the outlet 34% of the sample said they would shop, with 27% selecting Sears, Montgomery Ward or J. C. Penney. This month, those numbers are reversed.

The outlook for this category? Retailers believe that even though consumers keep saying they do not need the bakeware, they'll keep buying it. □

Sears bids farewell to Counter Craft

Black & Decker's biggest challenge in incorporating General Electric appliances is convincing female shoppers their products work as well in the kitchen as in the garage. As our research from Leo J. Shapiro & Associates shows this month, shoppers still associate the Black & Decker name with quality tools and outdoor products.

This scenario resembles what is happening to Sears and its Counter Craft appliances. Sears, however, has found the transformation from tools to toasters just too tough and will shortly abandon its Counter Craft logo in favor of the Kenmore name, a brand familiar to most women.

"The Counter Craft name," explains national merchandise manager for housewares Pam Nelson, "grew out of the Craftsman tool line. But we've found women do not relate as much to that name as they do to the Kenmore label."

MarkeTrends data from *Chain Store Age*/Leo J. Shapiro & Associates confirms the Counter Craft label is not entrenched in consumers' minds. Although Sears scores very high in most housewares categories (as a place consumers would shop), few shoppers mention Counter Craft as the brand they would buy. In tools, however, Craftsman will often surface as a preferred brand.

The woman shopper is crucial for Sears' housewares department and it makes sense to lure her with a name she has grown to trust. Moreover, the debut Kenmore product will be one unique to the housewares business: a steel-encased, automatic shutoff iron (made by Sunbeam). This is the first steel-framed electronic iron and should appeal to a great deal of women who are leery of plastic body irons. A top-of-the-line offering, the iron will bear the Lady Kenmore name and debut as part of the Sears New Century program.

More Kenmore housewares products will be debuted based on inventory depletion. Eventually, all housewares private label will be Kenmore (the iron will be the only Lady Kenmore item at this time).

The move to abolish Counter Craft comes at a time when most industry sources expected Sears to implement more national brand programs. Sears is not ruling this out, but on a recent tour through the Vernon Hills, Ill., store with Nelson, the chain showed no great inclination to move toward brand names.

Sears appears to want to do it with the more profitable house brands—even if it takes a name change.

* * *

Sunbeam's Oskar is probably the cutest housewares product most shoppers have ever seen. What is more, it actually works well, is easy to clean and fun to use. I would be willing to pay almost (I said almost, I'm always looking for a deal) the full $89 suggested retail price. Yet, retailers insist on giving me such a great bargain that they put the Oskar out at $69. Even though it is below the buyer's cost, some hint they will have it out at $49.

Today's shopper has a good idea of what a product is worth and I would bet most would pay at least $75 for Oskar.

Oskar is cute . . . it deserves a higher price tag.

It is not just Oskar . . . retailers are cutting prices to the bone to build volume. Perhaps it is time the industry took a closer look at the true value of the products it is selling. When a product is truly unique, retailers need not give the products away. It may be a method to restore some lost profits.

—Faye Brookman

merchandise at the best price was the strategy."

Although Caldor buyers still attempt to get the best prices for merchandise, they now also work co-op dollars into their deals. While some vendors are a bit disgruntled at what appears to be department store tactics from discounters, Hannafin says these deals are worked to everyone's advantage.

"We don't want to hurt anyone," he says. "We want everyone to make money."

Apparently, the new three-pronged strategy is paying off in home textiles at Caldor. "We have had gross margin increases every month for the past four months," says Hannafin.

Moreover, he expects the home textiles division's volume to double by 1989. This would bring that total up to $144 million, according to *Chain Store Age* estimates.

And, Hannafin is not stopping here. Other department store-like changes are on the horizon but Caldor will not lose sight of its discount roots.

Home textiles is in the process of launching a custom department in hard window treatments. The company sent out its first mailing for this new department with its October bills.

Additionally, the division is refining planograms, as a test for the company. Surprisingly, this, too, is a first for Caldor.

Electronics kiosks are next for the discounter. The company plans to test some in-store electronics displays early next spring. Some may be used in home textiles. □

The recent *CSA* survey shows home textiles as a mature division of retail operations, with steady annual gains. Merchants search for new ways to boost yearly figures.

Survey: Buyers fight margin erosions

Retailers are experiencing "fair" to "very good" sales in home textiles this year, according to buyers responding to a recent *Chain Store Age* survey.

Discounters and variety stores are faring better than department stores. Three out of 4 mass merchants say sales are "good" or "very good" while 3 out of 5 department store retailers classify them only as "fair."

The average department store buyer responding to the survey worked for a company with 23 units and a sales volume of $275.6 million. The average mass merchant had 20 stores and a sales volume of $171.7 million.

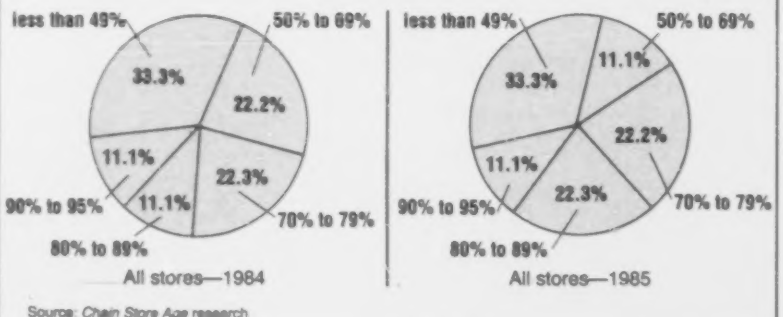
At Wanamaker's, dvp home textiles William McCartney says, "We have had increases but not enough to cover our plans." Another department store attributes the "fair" year to a "lack of consumer demand," while a third says, "Very competitive. Pricing is very important and gross margins are hard to keep up."

Moreover, 2 out of 3 retailers expect home textiles sales to increase this year over '84 tallies. Department stores anticipate moderate gains (between 7% and 8%) while mass merchants are more optimistic, looking for 10% to 12% rises.

Overall, the survey indicates that home textiles is a mature division of

***Two of 3 retailers** polled expect 1985 home textiles sales to increase over '84.*

What per cent of your goods are sold at sale prices?



Source: *Chain Store Age* research

Solid colors bold for 1986

Most retailers are happy with 1985 towel mixes, notes a recent *Chain Store Age* buyer survey. Their heaviest investments are in the solid color, unsheared towels and they will carry forth similar commitments into 1986.

However, department stores are more likely than mass merchants to alter next year's mixes. One out of every four department stores say they have planned a change while no mass merchant has.

The most prevalent change will be a move toward more fashion items and away from the basic solid color towel. This runs contrary to the general survey findings in which department stores are minimizing risks in fashion merchandise.

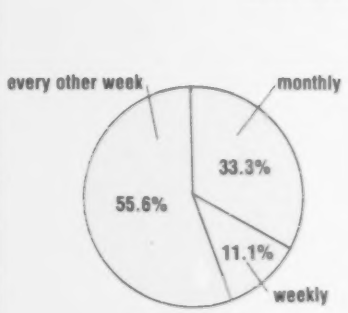
Outlining his plans, one department store exec says, "Sheared will increase due to fashion looks; jacs [jacquards] will remain or decrease due to stronger looks in shears and terry will remain the same or show a very slight decrease."

Currently, department stores devote between 69% and 85% of their mixes in unsheared, from 10% to 25% in sheared and from 0% to 13% in other styles including jacquards and embellished. Their best-selling brand is Fieldcrest and the second-best is Martex.

Mass merchants feature 70% to 95% of their towels as unsheared. The balance is in sheared with an occasional jacquard or embellished line.

Hands down, the mass merchant's No. 1 brand is Cannon. The second-best seller is less defined. Merchants mentioned St. Mary's, Tastemaker and Westpoint Pepperell most often as their second choices.

How often do you promote?



All stores—1985

All stores—1983

Source: *Chain Store Age* Research

retail operations, with steady annual gains. As a result, merchants are constantly searching for new ways to better the yearly figures. The majority of those polled report upgrading their divisions in some way.

Mass merchant comments range from "small upgrade in price in the category of curtains and rugs" to "We have brought in more quality goods than in the past, but we have put a lot of effort into new displays and fixtures."

Department stores are upgrading even more. One says, "Increased taste level through influx of better goods in mid- to upper-price points." Another notes, "Better grouping. Increased use of mix-and-match and total coordinated looks [not necessarily matching]. More space devoted to display and some 'like' environments. Overall mix of pricing is pretty stable."

One result of the upgrading is that mass merchants are generally adding sku's, as opposed to two years ago, when a *CSA* study found little change in sku numbers. Two out of every 3 mass merchants increased sku's while 1 out of 3 decreased the number. Of those mass merchants making changes, their midprice points were most affected. The majority increased the number of sku's at the midprice points.

Department stores were more apt to cutback their sku's. Two out of 5 decreased the number, 2 out of 5 more stayed the same, and 1 in 5 added sku's.

Reductions came mostly at the lower price points, though 1 out of 3 made cuts at the upper end. Like the mass merchants, all departments that increased sku's did so at the midprice points.

The survey also found that department stores are focusing less on fashion products today in home textiles than previously, perhaps hinting at a more cautious attitude. This year's study shows basics accounting for 75% to 80% of the mix vs. 65% in '83.

Still, department stores are more fashion-conscious than mass merchants. The majority of mass merchants report 70% to 100% of their mix as basics, similar to the '83 survey results.

The survey found a majority of retailers carry imported goods; either brought in directly by their companies or indirectly through importers. Moreover, buyers note they will be increasing imports during 1986. Department stores are most active in importing both directly and indirectly.

Two out of every 5 department stores directly import 1% to 5% of their merchandise and another 1 in 5 imports more than 20% of the goods. Approximately 40% do not directly import at all.

For the mass merchant, a whopping 75% of those polled do not directly import any merchandise. Only 1 in 4 imports from 1% to 5%.

When it comes to indirect imports, 75% of the mass merchants participate. Half the total group indirectly imports approximately 10% of their merchandise while another 25% indirectly import 5%.

All department stores that responded do some direct importing also. Two out of 5 say it accounts for 1% to 5% of the mix, 20% say it is 10% to 19% and another 40% say it is 20% to 25%.

Promotions are less frequent now

than two years ago, but more merchandise is sold at promotional prices (see charts). For example, 60% of all department stores promote every other week, according to this year's survey. In 1983's study, that figure was 30%. Weekly promotions are run by 20% of department stores this year vs. 50% in '83.

A similar pattern emerges at the mass merchants. This year's study shows 50% promote every other week, and another 50% monthly. In '83, however, 40% promoted weekly; 23% every other week; 13% monthly; 3% every other month; 7% quarterly; 10% twice a year; and 4% not at all.

At department stores, 40% say that between 70% and 79% of all merchandise is sold at promotional prices. Another 40% say that figure is as high as 80% to 89%. The remaining 20% say it is 90% to 95%.

Last year, by contrast, 20% of department stores did 50% to 69% of their business at promotional prices, while 40% did 70% to 79% at those prices, 20% did between 80% and 89% and another 20% between 90% and 95%.

Although mass merchants were not as promotional as department stores, they too were more promotional in '85 vs. '84. One in 4 says less than 30% of this year's merchandise is being sold at sale prices, another 50% say this figure is between 30% and 49% and another 25% say it is between 50% and 69%.

In '84, half the mass merchants surveyed said less than 30% of goods were sold on promotion; 25% said it was between 30% and 49%, and another 25% said it was between 50% and 69%.

As one might expect from these results, gross margins are not changing greatly. Half the mass merchants report gross margins of 31% to 35% while 3 out of 5 department stores note margins of 36% to 40%. In the '83 survey gross margin for the majority of mass merchants was less than 35%, and for the majority of department stores it exceeded 36%. □

Investments pay off in kitchen textiles

Kitchen textiles is becoming more promotional, but with proper funding, business continues to grow.

***At the mass merchant** level, ensembles are used to lure better customers.*

"Kitchen textiles have reached a mature level in the lifecycle of a product. The sales increases which retailers have had in the past 10 years are no longer apparent with some mass merchants," says Bill Vojta, marketing vp for R. A. Briggs.

A Midwest discounter notes that the margins have been stretched as far as they can go and as a result, the business is becoming a highly promotional one.

But several other industry sources, particularly department store execs disagree. They say that for those who continue to commit to the category by properly funding it, the business continues to grow.

Additionally, they note that despite some margin pressures the category is not as promotional as most other home textiles. Kitchen textiles is promoted on an average of once a month. Most other home textiles are promoted twice a month or weekly. Since it is less promotional, the margins are better (between 39% and 42%) and so are the turns (three to four times a year).

"Kitchen textiles is one of those classifications that doesn't have brand identity and doesn't need a lot of advertising. . . . With a modest investment, off a modest space, it's a very profitable business for retailers," says Dick Gamborg, vp of sales for Barth & Dreyfuss.

A Midwest department store buyer adds, "There's a lot opportunity left in the business." She explains that the trend is toward merchandising key items other than basics or ensembles. For instance, vinyl party aprons such as one that features a Martini glass with floating ice cubes and a see-through, lighted Christmas tree (both retailing for $15) do very well at her stores. She is also testing 100% cotton towels, hoping to lure the natural fibers shopper.

"Kitchen textiles are becoming more sophisticated. It's not just solid colors anymore," says an East Coast department store exec. Designs such as Boston Warehouse animal mitts are catching fire now when they didn't sell well one to two years ago. Her strategy, like the Midwest buyer, is to capitalize on items like these by getting in and out of them quickly. "This keeps the business alive and lively," she notes.

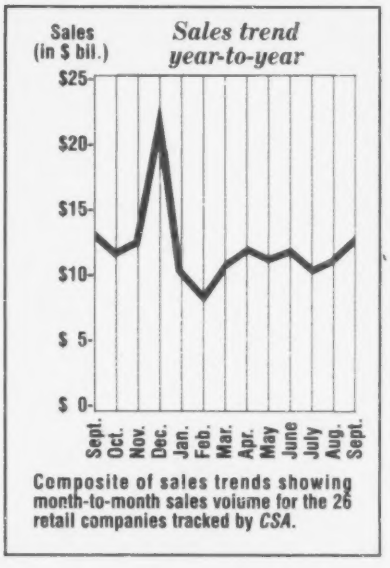
At the mass merchant level, Briggs is trying to stimulate sales with its new sophisticated licensed line, The Betty Crocker Kitchen Collection. The company is banking on the growing enthusiasm for corporate licensing and the strong influence of the Betty Crocker name. Vojta says, "The rules of merchandising continue to change, but the necessity of good design and quality remains the same." Early retailer response has been favorable.

In the stores, several mass merchants are aggressively looking to strengthen their businesses by seeking the better customer through ensembles. Ensembles generally consist of three or four items (such as a dish towel, potholder and mitt), all carrying the same

Sales increased by meager 6% in Sept.

Weak September sales may have retailers wondering if their Christmas stockings will once again be brimming with inventory and short on earnings. The 26 chains tracked by *Chain Store Age* posted a meager 6% sales increase in September.

Even that figure overstates retailing's health, as many chains are operating significantly more units than they did a year ago. Others, most notably Rocky Hill, Conn.-based Ames which acquired G. C.



Composite of sales trends showing month-to-month sales volume for the 26 retail companies tracked by *CSA*.

Murphy earlier this year, are overstating 1985 results by not including the acquired chain's results in last year's totals.

Still, all the news may not be bad. The *CSA* General Merchandise Buying Index, an indicator developed exclusively by *CSA* to track consumer intentions to buy general merchandise, rose 5% this month from a reading of 114 in October to 120 in November.

September's biggest sales losers were the Big 3 catalog chains. Sears U.S. merchandising sales dipped 0.6% from a year ago, with J. C. Penney slipping 0.5% and Montgomery Ward's figures sliding 2.8% for the month. Year-to-date sales for the three chains are running only even with last year's results.

Among the department stores, the picture looked brighter, but only on the surface. Dayton Hudson posted an 11.5% monthly gain, but company officials admitted that even that figure was below plan. The lion's share of Dayton Hudson's sales gains came from its Target discount division, and not its department stores.

The same relationship held true at The May Co., whose Venture discount stores posted a 6% sales increase, compared to the 2.6% gain reported by its department stores. On a store-for-store basis, however, Venture sales increased only 0.5% while the department stores gained 2.2%.

Bentonville, Ark.-based Wal-Mart continues to buck the soft sales trend. Volume for September was 29% ahead of the same month a year ago and 5% ahead on a store-for-store basis. Comparable-store sales for the eight month fiscal year are 9% above 1984 levels.

September sales: still soft

Major chains	% change	Sept. Sales* 1985	Sept. Sales* 1984	Stores 1985	Stores 1984	8-mo. sales* 1985	8-mo. sales* 1984	% change
Sears[1,6]	– 0.6	2,339,400	2,353,500	795	804	16,172,800	16,015,100	+ 0.1
Penney[6]	– 0.5	1,075,000	1,080,000	1,978	2,015	7,425,000	7,381,000	+ 0.6
Ward[1,7]	– 2.8	423,929	435,994	316	323	2,813,795	2,900,495	– 3.0
Federated[5,7]	+ 3.1	725,300	703,900	471	446	4,885,300	4,587,000	+ 6.1
Dayton Hudson[7]	+ 11.5	724,500	650,000	1,181	1,127	5,063,400	4,410,900	+ 14.8
May Dept. Stores	+ 5.5	477,400	452,600	1,997	1,679	3,065,300	2,769,600	+ 10.7
R. H. Macy	+ 7.4	406,900	379,000	96	91	2,657,600	2,514,600	+ 5.7
Associated Dry Goods	+ 9.2	390,600	357,000	336	331	2,581,000	2,325,000	+ 11.0
Allied Stores	+ 5.8	388,500	367,200	633	584	2,451,700	2,346,400	+ 4.5
Carter Hawley Hale[7]	+ 7.5	351,500	327,000	284	259	2,336,100	2,128,000	+ 9.8
Mercantile	+ 7.5	174,987	162,853	80	79	1,120,846	1,010,014	+ 11.0
K mart[8]	+ 2.2	1,911,000	1,870,300	2,176	2,163	13,558,100	12,380,700	+ 9.5
Wal-Mart	+ 28.9	628,000	487,000	826	704	4,950,000	3,783,000	+ 30.8
Woolworth[8]	+ 7.6	342,700	318,500	N/A	N/A	2,290,200	2,125,700	+ 7.7
Household Merch.[2,3,7]	+ 3.0	495,331	483,324	3,537	3,679	3,513,154	3,390,506	+ 3.6
Zayre[4]	+ 18.4	344,000	290,600	920	805	2,280,400	1,890,400	+ 20.6
Bradlees	+ 13.5	143,000	126,000	155	130	887,000	809,000	+ 9.6
Rose's	+ 8.5	64,404	59,363	200	191	599,559	551,402	+ 8.7
Ames	+ 110.1	170,800	81,300	562	N/A	830,400	491,500	+ 68.9
Jamesway	N.C	41,134	41,312	87	81	308,304	278,076	+ 10.9
Heck's	+ 14.9	51,700	45,000	162	122	323,100	297,200	+ 8.7
Melville	+ 12.7	462,209	410,000	5,492	5,212	2,975,105	2,666,547	+ 11.6
Tandy	+ 16.0	238,432	205,451	N/A	N/A	1,778,903	1,636,653	+ 8.7
Edison Bros.	+ 3.3	76,000	73,600	N/A	N/A	561,700	556,500	+ 0.9
The Gap	+ 29.1	65,600	50,800	650	611	376,000	312,000	+ 20.5
Circuit City	+ 20.8	45,300	37,500	96	N/A	356,900	265,400	+ 34.5
Total & Averages	+ 6.0	12,557,586	11,849,073	—	—	86,161,712	79,821,787	+ 7.9

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 1,583 franchise stores (vs. 1,651 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 326 Zayre stores (vs. 279 a year ago), 422 Hit or Miss stores (vs. 388) and 172 T. J. Maxx stores (vs. 138). [5]Excludes supermarket sales. [6]Store count is for K mart stores only. [7]Continuing operations only. [8]Domestic operations only.

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